



**SOUTHWEST GAS CORPORATION**

Roger C. Montgomery, Vice President/Pricing

March 13, 2006

Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007-2996

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G-01551A-04-0876

Gentlemen:

Subject: Advice Letter No. 06-03-01

Southwest Gas Corporation (Southwest) hereby submits for filing and approval with the Arizona Corporation Commission (Commission) a revision to its tariff schedules as shown on Attachment A.

Purpose

This Advice Letter seeks Commission authorization to establish a surcharge to recover Demand Side Management (DSM) program costs that were approved by the Commission in Decision No. 68487 (Docket No. G-01551A-04-0876). This Advice Letter supersedes Southwest's request for a revised surcharge amount that was filed with the Utilities Division Staff (Staff) on January 31, 2006.

Discussion

Pursuant to Commission Decision No. 60352 a DSM adjustor mechanism was created, whereby Southwest would file annual requests with Arizona Corporation Commission Staff requesting a revised surcharge to recover projected DSM program costs for the upcoming year. Pursuant to Decision No. 60352, Southwest filed its annual request to revise the DSM surcharge with Staff on January 31, 2006. However, on February 23, 2006, the Commission issued Decision No. 68487, whereby the Commission approved the continuation of existing programs and authorized new DSM programs. The Commission also revised the procedure for requesting adjustments to the DSM surcharge. As a result of Decision No. 68487, the Staff made a recommendation to the Commission that Southwest's existing DSM surcharge remain in place for an additional month in anticipation of Southwest making a compliance filing to adjust the surcharge.



Decision No. 68487 authorized the continuation of two existing DSM programs and authorized the future implementation of several new programs. The existing DSM programs provide benefits to residential customers and the new programs will provide additional benefits to residential customers as well as benefits to customers other than residential. Southwest has been ordered to initiate a collaborative effort to develop the details of the new programs and to file for Commission approval of those programs. Southwest is in the process of initiating the collaborative process and will subsequently make a filing the latter part of June 2006 to request approval to implement the new DSM programs.

The surcharge proposed by Southwest in this filing is designed to recover projected DSM expenditures associated with the existing previously approved DSM programs and an amount the Commission approved for residential customer bill payment assistance.

<u>Program</u>	<u>Funding Level</u>
Energy Advantage Plus	\$250,000
Low-Income Energy Conservation	500,000
Low-Income Bill Payment Assistance	50,000
Total	<u>\$800,000</u>

Because these DSM programs provide benefits exclusively to the residential customers, the surcharge to recover the \$800,000 is applicable to residential sales volumes only and the non-residential surcharge will continue to be set at \$0.00.

#### Calculation of Requested Surcharge

Attached as Exhibit B are four schedules that support Southwest's request for a \$0.00246 per therm surcharge. Schedule 1 calculates the proposed surcharge per therm based upon Southwest's estimated 2006 DSM expenditures. Schedule 2 demonstrates the expected recovery from the existing DSM surcharge for the first four months of 2006. Schedule 3 demonstrates the actual expenditures by month and by DSM program for calendar year 2005. Schedule 4 demonstrates the projected DSM expenditures by month and by program for calendar year 2006.

Subsequent to the implementation of this surcharge, but prior to the next annual DSM surcharge adjustment, if the Commission authorizes the new DSM programs, Southwest will file to adjust the surcharge amount and customer applicability accordingly.

All amounts recovered through the DSM surcharge shall be placed in a balancing account to offset future DSM expenditures that the Company will



incur through its implementation of the DSM programs. Any under- or over-recovery of actual expenditures that exists in the balancing account at the end of each year will be carried forward and will be factored into the calculation of the following year's surcharge request.

Effective Date

Southwest is proposing that the change to the DSM surcharge become effective on May 1, 2006, the same date that the Monthly Gas Cost Adjustment for May is scheduled to become effective. Subsequently, Southwest proposes that the effective date of the annual change to the DSM surcharge be effective on the date of the May gas cost adjustment, on or about May 1 of each year.

Respectively submitted

SOUTHWEST GAS CORPORATION

By Ed D. B. [Signature] for/

Roger C. Montgomery

Attachments

- c Mr. Robert Gray, ACC
- Mr. Ernest Johnson, ACC
- Mr. Stephen Ahearn, RUCO

SOUTHWEST GAS CORPORATION  
P.O. Box 98510  
Las Vegas, Nevada 89193-8510  
Arizona Gas Tariff No. 7  
Arizona Division

Canceling Twenty-Third Revised A.C.C. Sheet No. 13  
Twenty-Second Revised A.C.C. Sheet No. 13

STATEMENT OF RATES  
EFFECTIVE SALES RATES APPLICABLE TO ARIZONA SCHEDULES 1/  
(Continued)

- 1/ All charges are subject to adjustment for any applicable taxes or governmental impositions.
- 2/ (a) For Schedule Nos. G-5 and G-20, the Rate Adjustment includes \$.00652 per therm to recover LIRA program costs.
- (b) For Schedule Nos. G-5, G-10, G-15, G-16, and G-20, the Rate Adjustment includes \$.00246 per therm to recover DSM Program costs.
- (c) Except for Schedule Nos. G-10, G-30, G-60, and G-80, the Rate Adjustment includes \$.11000 per therm to reduce the unrecovered balance in the Gas Cost Balancing Account.
- 3/ The total monthly demand charge is equal to the unit rate shown multiplied by the customer's billing determinant.
- 4/ The gas cost for this rate schedule shall be updated seasonally, April 1 and October 1 of each year.
- 5/ The charges for Schedule No. G-55 are subject to adjustment for applicable state and federal taxes on fuel used in motor vehicles.

Issued On March 13, 2006  
Docket No. G-01551A-05-0823

Issued by  
John P. Hester  
Vice President

Effective May 1, 2006  
Decision No. 60352

**SOUTHWEST GAS CORPORATION  
ARIZONA  
COMPUTATION OF DSM SURCHARGE**

Line No.	Description (a)	Volume (b)	Amount (c)	Line No.
1	2006 DSM Program Costs		\$ 800,000	1
	Adjustments to calculate new DSM Surcharge			
2	DSM Balancing Account Balance @ December 31, 2005		(338,686)	2
3	Estimated Recoveries, January - April, 2006		85,998	3
4	Estimated Accruals, January - April, 2006 [1]		132,180	4
5	Total to be Recovered (Lines 1 - 4)		<u>\$ 679,493</u>	5
6	Therms applicable to Residential, MMMHP, LIRA, Spec Residential	276,539,365		6
7	DSM Surcharge Rate Per Therm		<u>\$ 0.00246</u>	7

[1] 2005 Accruals divided by 3

[2] Based on the 12 months ended December 31, 2005.

**SOUTHWEST GAS CORPORATION  
ARIZONA  
ESTIMATED DSM RECOVERIES**

Line No.	Description (a)	2005 Volumes (b)	Surcharge Per Therm (c)	Estimated Recovery (d)	Line No.
1	January, 2006	57,183,695	\$ (0.00054)	\$ (30,879)	1
2	February, 2006	44,437,415	\$ (0.00054)	\$ (23,996)	2
3	March, 2006	34,767,399	\$ (0.00054)	\$ (18,774)	3
4	April, 2006	22,867,831	\$ (0.00054)	\$ (12,349)	
5	Total	<u>159,256,340</u>	\$ (0.00054)	<u>\$ (85,998)</u>	4

**SOUTHWEST GAS CORPORATION  
ARIZONA  
DEMAND SIDE MANAGEMENT PROGRAMS  
EXPENDITURES BY MONTH AND BY DSM PROGRAM  
FOR THE TWELVE MONTHS ENDED DECEMBER 2005**

Line No.	Description	Energy Advantage Plus (b)	Low Income Energy Conservation (c)	Total (d)	Line No.
1	January-05	\$ 353	\$ 87,403	\$ 87,756	1
2	February-05	636	0	636	2
3	March-05	0	31,884	31,884	3
4	April-05	0	8,675	8,675	4
5	May-05	0	9,075	9,075	5
6	June-05	12,895	20,998	33,893	6
7	July-05	25,323	14,868	40,191	7
8	August-05	3,270	98,755	102,025	8
9	September-05	6,404	5,482	11,886	9
10	October-05	6,151	16,802	22,953	10
11	November-05	7,928	14,215	22,143	11
12	December-05	10,125	15,299	25,424	12
13	Total	<u>\$ 73,085</u>	<u>\$ 323,456</u>	<u>\$ 396,541</u>	13

**SOUTHWEST GAS CORPORATION  
ARIZONA  
DEMAND SIDE MANAGEMENT PROGRAMS  
PROJECTED COSTS BY MONTH AND BY PROGRAM  
FOR THE TWELVE MONTHS ENDED DECEMBER 2006**

Line No.	Month (a)	Energy Advantage Plus (b)	Low Income Energy Conservation (c)	Payment Assistance (d)	(e)	Total (f)	Line No.
1	January-06	\$ 20,833	\$ 41,666			\$ 62,499	1
2	February-06	20,833	41,666			62,499	2
3	March-06	20,834	41,667			62,501	3
4	April-06	20,833	41,667			62,500	4
5	May-06	20,833	41,667			62,500	5
6	June-06	20,834	41,666			62,500	6
7	July-06	20,833	41,667	\$ 8,333		70,833	7
8	August-06	20,833	41,667	8,333		70,833	8
9	September-06	20,834	41,667	8,333		70,834	9
10	October-06	20,833	41,667	8,333		70,833	10
11	November-06	20,833	41,667	8,334		70,834	11
12	December-06	20,834	41,666	8,334		70,834	12
13	Total	<u>\$ 250,000</u>	<u>\$ 500,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 800,000</u>	13